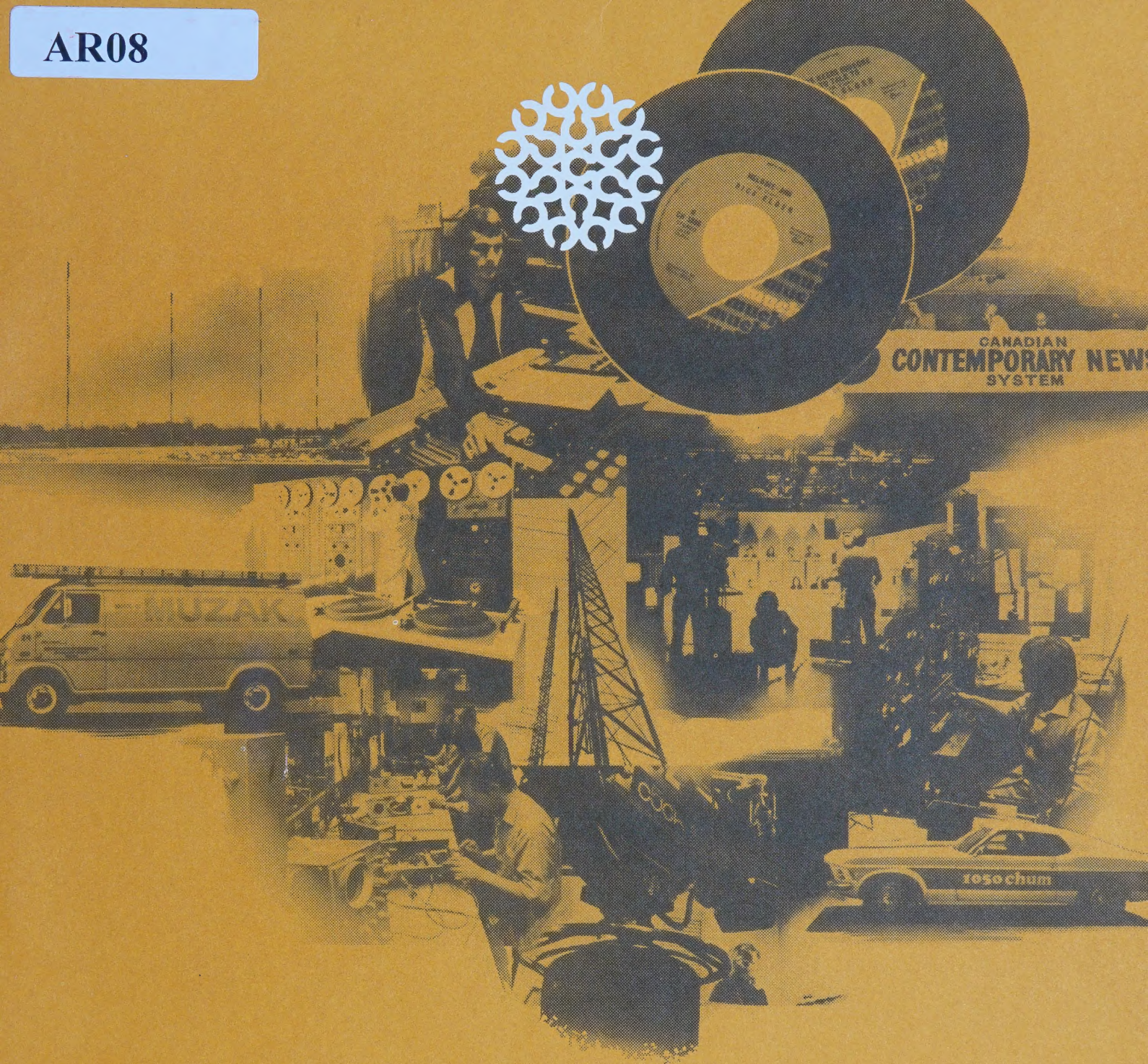


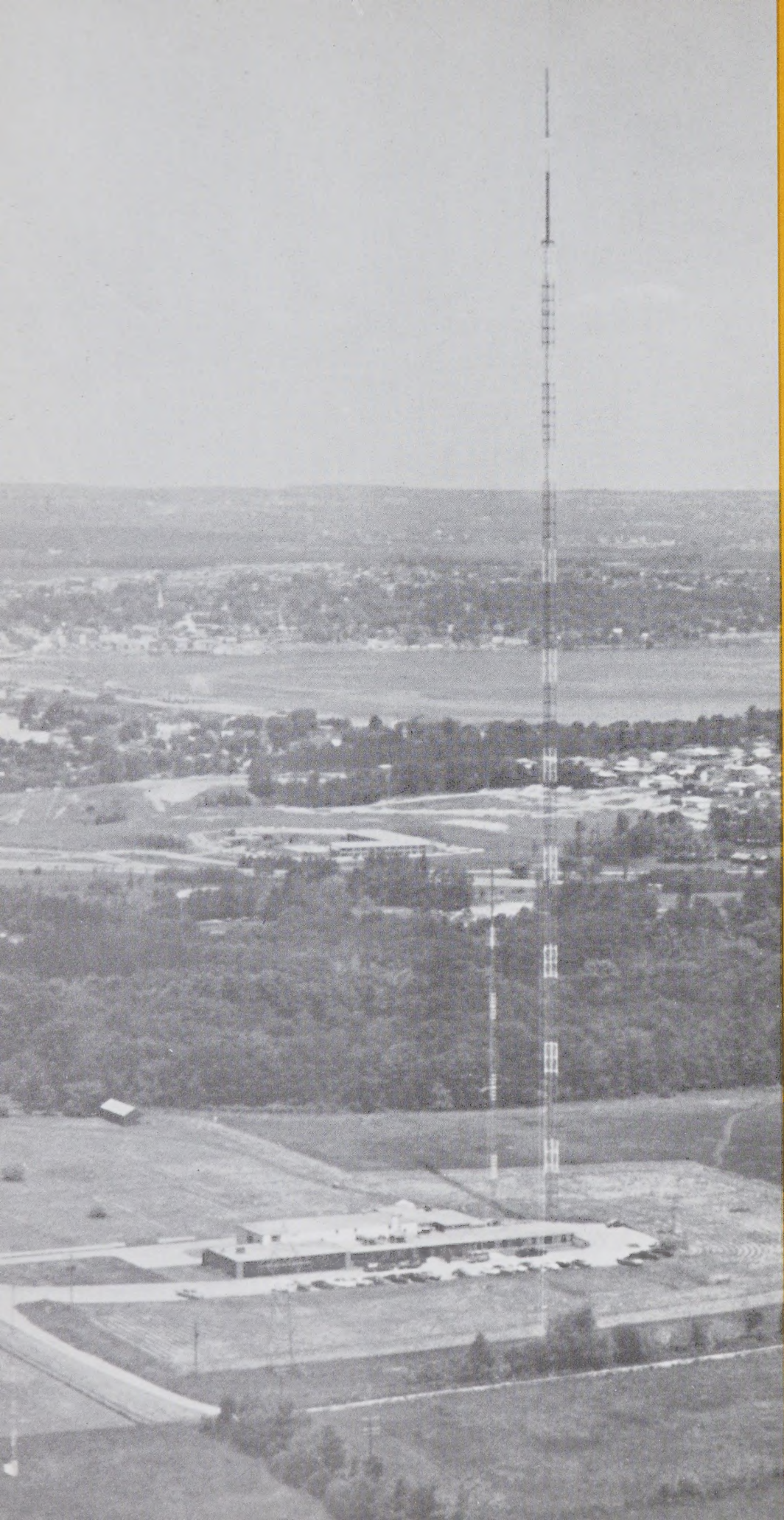
AR08



CHUM Limited

Annual Report
for the Year ended August 31, 1971

(File)



Aerial view of studios and offices of Channel 3. Original and present transmitter towers are on station's property. Above, the city of Barrie, and Kempenfeldt Bay

The CHUM Group

ONTARIO

CHUM—Toronto

CHUM-FM—Toronto

CFRA—Ottawa

CFMO—Ottawa

CKPT—Peterborough

CKVR-TV—Barrie

“Music by Muzak” for the Province of Ontario

Canadian Contemporary News System

Huchm Productions Limited—Barrie

QUEBEC

Much Productions Limited—Montreal

Summerlea Music Limited—Montreal

Winterlea Music Limited—Montreal

MARITIMES

CJCH Radio—Halifax

CJCH-TV—Halifax

CJCB-TV—Sydney

CHUM Limited

HEAD OFFICE

1331 Yonge Street, Toronto, Ontario

REGISTRAR AND TRANSFER AGENT

Montreal Trust Company: Toronto, Ottawa, Montreal, Halifax, Regina, Calgary, Vancouver

SOLICITORS

Fasken & Calvin

AUDITORS

Price Waterhouse & Co.

BANKERS

The Royal Bank of Canada

STOCK EXCHANGE LISTINGS

Toronto and Montreal

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- 11 Consolidated Statement of Source and Application of Funds
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Chum Limited

1331 Yonge Street
Toronto 290, Ontario
Telephone (416) 925-6666

Alex A. Forbes, C.A.
Vice-President, Finance

To the Shareholders:

I am pleased to report that the year just concluded was the most successful in CHUM Limited's history.

Earnings totalled \$1,082,358, representing 35¢ per Common and Class B share, as compared to 34¢ last year on earnings of \$944,767.

Sales of each radio station in the CHUM Group reached record levels. Sales of CHUM Group television stations were not up to expectations due to a decrease in national advertising. Associated Broadcasting Corporation, Muzak, enjoyed an extremely successful year, and increased both sales and earnings. CHUM Limited's music publishing and recording business did not contribute to the Company's earnings this year; however, progress is being made and I am most optimistic that their efforts will enjoy success in the coming year.

During the past 12 months, the Canadian Radio-Television Commission approved CHUM Limited's purchase of the remaining one-third interest in CKVR-TV, Channel 3, Barrie, and controlling interest in CJCH Television, Halifax. In addition, CHUM Limited received approval for the merger of CJCB Television, Sydney with CJCH-TV, Halifax. Our television stations in the Maritimes now serve most of Nova Scotia, and we made the commitment to extend the alternate service of the CTV Network to Prince Edward Island. Further details are contained later in the Report.

A new CHUM Limited subsidiary was formed during the year. Huchm Productions Limited, located at our TV station in Barrie, is providing economical film and commercial production for advertising agencies and independent producers. Two TV commercials produced by Huchm received citations at the ninth annual Canadian Television Commercials Festival, recognition of the skills and talents of their creative staff.

CHUM Limited diversified its holdings with the purchase of a controlling interest in Martin Goldfarb Consultants, an organization specializing in communication and motivational research. The present decade is one of frequent social changes which require new sales concepts and techniques, and I am confident that our involvement in this young, aggressive company should prove beneficial to all CHUM Group properties and to the future earnings of the Company. Martin Goldfarb will continue as the President of Martin Goldfarb Consultants. He is a graduate of the University of Toronto in Sociology and Anthropology, and I am delighted to welcome him and his staff to the CHUM Group.

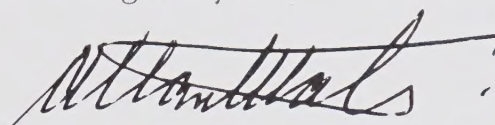
On October 12th of this year, CHUM Limited agreed to purchase 80% of the broadcasting assets of Canadian Marconi Company of Montreal. The purchase is subject to the approval of the Canadian Radio-Television Commission which will hear the application at the public hearings in Ottawa on November 23rd. The properties involved are CFCF Radio, CFCF



Television, CFQR-FM and CFCX Shortwave. Canadian Marconi Company will retain a 20% interest. If concluded, this acquisition should represent the biggest forward step ever undertaken by CHUM Limited and would add considerably to our present and future earnings.

Sales and bookings for the first quarter of our new year are running well ahead of the same period last year. Future bookings also look good and I am extremely optimistic about 1972 earnings.

I extend my thanks to every member of the staff for their efforts during the past 12 months. It was a great year.



Allan Waters, President.

Toronto, Ontario
November 22, 1971

FINANCIAL HIGHLIGHTS

Year ended August 31

	<i>1971</i>	<i>1970</i>
Net earnings for the year	\$ 1,082,358	\$ 944,767
Earnings per Class B and Common Share	35¢	34¢*
Funds derived from operations	1,613,914	1,334,338
Provision for income taxes	1,258,893	1,241,000
Working capital at end of year	1,987,769	3,159,727
Shareholders' equity	12,262,019	11,293,157
Dividends paid—Class B shares	473,496	402,696
Capital expenditures	493,584	217,258

*Based on a weighted average number of shares outstanding during the year.

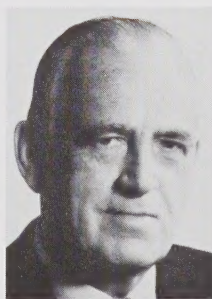
Directors and Officers



ALLAN WATERS
Toronto
(President, CHUM Limited)



J. WESLEY ARMSTRONG
Toronto
(Vice-President,
Sales, CHUM Limited)



ALEXANDER A. FORBES, C.A.
Toronto
(Vice-President,
Finance and Secretary-
Treasurer, CHUM Limited)



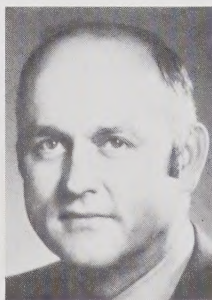
A. DEANE NESBITT,
O.B.E., D.F.C., B.ENG.
Montreal
(Chairman of the Board,
Nesbitt, Thomson and
Company, Limited)



FRED G. SHERRATT
Toronto
(Vice-President,
Programming and
Operations, CHUM Limited)



RALPH T. SNELGROVE
Barrie
(Chairman,
Ralph Snelgrove
Television Limited)



ROBERT M. SUTHERLAND, Q.C.
Toronto
(Partner, Fasken & Calvin)



A. ROSS DEDMAN, B.A., C.A.
Controller, CHUM Limited

The CHUM Group

CHUM Toronto—The highlight of the year for CHUM Toronto was receiving the Station of the Year Award for an unprecedented third time.

The award is the most coveted in Canadian broadcasting. It was given to CHUM for “outstanding efforts” in financing the establishment of CFCT, Tuktoyaktuk, in Canada’s Arctic. The judges’ citation commended the CHUM project “for sheer drama, imagination and example to other broadcasters”.

CHUM’s contemporary sound, reliable news coverage and strong public affairs programming receive loyal listener and advertiser support. The station, one of only two in Canada with more than one million listeners each week, continues to enjoy accelerated growth.

CHUM-FM Toronto—CHUM-FM continues to prove itself an innovator in experimental radio programming, providing the only “progressive” format in Southern Ontario.

Among the many public affairs specials produced by CHUM-FM this year was a six-hour study of the drug problem. “Days of Electric Mornings” tackled this serious social ill with insight and impact.

CHUM-FM’s audience reflects the growing desire for the wide variety of new music provided by the station.

CFRA Ottawa—CFRA’s spectacular record of sports programming was further enhanced with their creation of the Ottawa Rough Riders Network. Play-by-play broadcasts originating with CFRA are fed to CHOV Pembroke, CJET Smiths Falls, CKLC Kingston and CFJR Brockville, a hookup which allows the performance of the Rough Riders to be enjoyed by thousands of fans throughout the Province.

CFRA, already firmly entrenched as the most-listened-to radio station in Eastern Ontario, continues to increase its audience year after year.



CHUM’s Jay Nelson with a few of estimated 100,000 new toys collected for underprivileged children

CHUM-FM Station Manager, Bob Laine, CHUM Limited’s Advertising and Public Relations Director, Lyn Rice, with Sheridan College student, Michael McKerihen, right, who designed new CHUM-FM logo in class competition



CFMO Ottawa—CFMO is more than keeping step with the natural growth of FM radio, and has enjoyed a loyal following in the Ottawa area for many years.

The station maintains a close association with the National Arts Centre and provides listeners with information of the Centre's activities. CFMO is scheduling the Old Days of Radio, flashbacks to radio of 35 years ago, and the Golden Age of Music from the 40's. These features have evoked great response from a nostalgic, appreciative audience.

CJCH Halifax—CJCH Radio maintains a vigorous approach to community affairs. The "Action Line" program, hosted by Bill Ozard, stimulates public concern over community problems, and is considered to be one of the area's most helpful "citizens". The station's presentation of "100,000 Questions", a provocative look at the drug problem, won the prestigious Ohio State Award for News. Further, the Radio-Television News Directors Association gave this hour-long documentary the Dan McArthur Award for Atlantic Canada.

CJCH continues to receive the faithful support from the largest radio audience in the Maritimes.

CKPT Peterborough—CKPT's community spirit is well known to radio listeners throughout Peterborough and the Kawarthas. Many service and charitable groups in the area have benefited greatly from CKPT's publicity and fund-raising assistance.

CKPT was successful in obtaining the exclusive rights for play-by-play broadcasts of all games of the Peterborough Petes Junior A Hockey Team during the 1971-72 season. Also, CKPT carries the Toronto Argonaut games, ensuring that football fans in the Kawarthas do not miss the Argo action!

CFRA's popular morning man, Ken Grant, at 10th anniversary broadcast from Vice-Regal suite, Skyline Hotel, Ottawa. Behind candles is Lowell Green, host of CFRA's "Green Line"



Les Turner, centre, receives silver tray for best CFMO sales performance in past four years. Presentation was made by CFRA/CFMO General Manager, Terry Kielty, left, and Vice-President, Sales, George M. Gowling

CJCH news cruiser at Halifax's new container facility, Hacterm

CKPT's entry in Peterborough Bethany Ski-a-Thon aided Canada's National Ski Team by some \$400



The CHUM Group

CKVR-TV Barrie—Channel 3 has just completed its first year of full colour programming. The addition of colour studio cameras and video tape equipment has provided the station with the latest production facilities.

Channel 3 recently introduced a counter-programming schedule designed to offer greater variety to its fast growing audience. Full length feature movies are now scheduled at times when they are unavailable on other channels. The news presentation has been improved and expanded. These changes, and others to be made in the future, will offer the Channel 3 viewer a better selection of quality programming.

CKVR-TV's remarkable growth will continue as Barrie expands, and Toronto continues to push northward.

CHUM Limited's Involvement in Television in the Maritimes—

In February, CHUM Limited acquired controlling interest in CJCH Limited, Halifax. CJCH Limited operates Channel 5 in Halifax and rebroadcasting stations in Canning and Caledonia, bringing service to the Annapolis Valley and the balance of southwestern Nova Scotia.

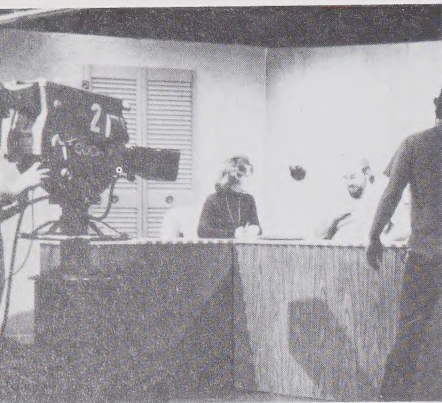
Subsequently, CJCH Limited purchased CJCB Television in Sydney, Nova Scotia with rebroadcasting stations in Inverness and Antigonish. Cape Breton Broadcasters Limited, the licensee of CJCB-TV, is now a wholly-owned subsidiary of CJCH Limited. CJCB-TV is presently affiliated with the CBC Television Network.

Extension of the CTV Network television service to Prince Edward Island has also been assured by a commitment made by CJCH Limited. Upon completion of this commitment, CJCH Limited will provide full CTV television service to Nova Scotia and Prince Edward Island.

Music by Muzak—Associated Broadcasting Corporation continued to show a steady increase in "Music by Muzak" installations.

During the year, the company expanded its service by installing public address sound systems to be used for security and crowd control. The major installation of this kind was completed for the first two buildings of the Toronto-Dominion Centre in downtown Toronto.

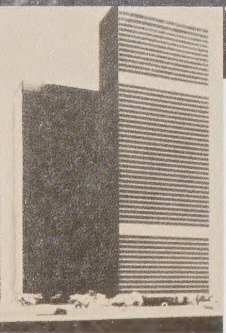
Associated Broadcasting just acquired the rights for the Province of Ontario to represent the Shipton Group of England



Set of live show in production at CJCH-TV Halifax

"TV Report" in production at CJCB-TV, Sydney

Muzak lab technicians work on special public address sound system for installation in Toronto-Dominion Centre. Inset shows how T-D complex will look after completion of third building



for the importation, distribution, installation and servicing of internal telephone switchboards and related equipment manufactured by this company.

Canadian Contemporary News System—Seven key stations joined the Canadian Contemporary News System in the past year, bringing the total radio participants to 21. CCNS is the biggest newsgathering organization in Canada, and reaches the largest news audience of any broadcasting organization in the country.

During the Year, Parliamentary Correspondent Jack Derouin was assigned to the Prime Minister's tour of India, Pakistan, Ceylon, Indonesia and Singapore, and General Manager, Paul Akehurst, covered Prime Minister Trudeau's visits to Russia, the Ukraine, and Uzbekistan.

Summerlea Music Limited, Winterlea Music Limited, MUCH Productions Limited—

In the past year, MUCH Productions placed several artists, notably Sea Dog and April Wine, with key U.S. and European record companies.

One of the most exciting Canadian artists to be signed by MUCH is Pagliaro. His first release, "Give us One More Chance", became a national hit in Canada, and his follow-up, "Lovin' You Ain't Easy" is developing into an international hit. Pye Records of England has acquired worldwide licensing rights from MUCH Productions for all of Pagliaro's material, and is presently working on a major campaign to launch the singer in both the United States and Europe.

CFCT Tuktoyaktuk—The CFCT call sign first pierced the Arctic air of Tuktoyaktuk at 6:45 pm, MST, on Wednesday, January 20, 1971.

The three locally-born native Eskimos who form the station's regularly salaried on-air staff, keep CFCT on the air a total of four hours a day, broadcasting in both Eskimo and English.

CHUM Radio assisted the Tuktoyaktuk Broadcasting Society with the establishment of the 1,000-watt CFCT by providing an initial outlay of \$50,000 for the purchase and installation of the transmitter, tower and broadcast equipment. CHUM Radio, CFCT's "twin" in Canada South, also provides CFCT with technical assistance, news and programming material. In addition, CHUM made the commitment to give a substantial cash subsidy each year to maintain CFCT.

CCNS broadcast booth, Ontario Progressive Conservative Leadership Convention, Toronto

Pagliaro, exciting Canadian star, records on MUCH label



Bill Panaktulak at CFCT mike



CHUM Limited

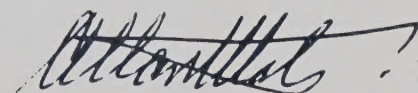
and Subsidiary Companies

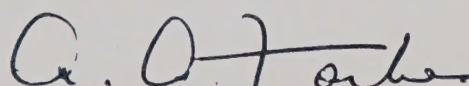
Consolidated Balance Sheet

ASSETS

	<i>August 31</i>	
	<u>1971</u>	<u>1970</u>
Current assets:		
Cash	\$ 740,503	\$ 198,649
Short-term deposits	973,216	2,750,000
Accounts receivable	2,002,394	1,444,209
Inventory of parts and supplies, at cost	65,246	52,112
Prepaid expenses	248,890	97,210
	<u>4,030,249</u>	<u>4,542,180</u>
Investments:		
Peterborough Broadcasting Co. (Note 2)	130,289	119,503
Other, at cost	6,954	14,935
	<u>137,243</u>	<u>134,438</u>
Fixed assets, at cost:		
Land	670,285	573,630
Buildings and equipment	7,917,116	4,367,196
	<u>8,587,401</u>	<u>4,940,826</u>
Less: Accumulated depreciation	5,238,324	2,876,027
	<u>3,349,077</u>	<u>2,064,799</u>
Other assets:		
Franchise, at cost less amortization of \$580,909 (1970—\$508,296)	786,648	859,261
Excess of cost of shares of subsidiary companies over book value of underlying assets	7,173,621	5,535,536
	<u>7,960,269</u>	<u>6,394,797</u>
	<u>\$15,476,838</u>	<u>\$13,136,214</u>

Approved on behalf of the Board:

 Director

 Director

LIABILITIES AND SHAREHOLDERS' EQUITY

	<i>August 31</i>	
	<u>1971</u>	<u>1970</u>
Current liabilities:		
Bank loans	\$ 1,035,000	\$ 550,000
Accounts payable and accrued liabilities	604,443	399,661
Income taxes payable	297,558	277,663
Instalments on long-term debt due within one year	105,479	155,129
	<u>2,042,480</u>	<u>1,382,453</u>
Long-term debt (Note 3)	418,079	146,058
Minority interests	754,260	314,546
Shareholders' equity:		
Capital stock (Note 4)—		
Non-voting Class B shares without		
par value—		
Authorized—8,000,000 shares		
Issued—1,987,900 shares		
(1970—1,927,900 shares)	7,752,810	7,392,810
Common shares without par value—		
Authorized—1,500,000 shares		
Issued—1,100,403 shares	987,630	987,630
Retained earnings	3,521,579	2,912,717
	<u>12,262,019</u>	<u>11,293,157</u>
	<u>\$15,476,838</u>	<u>\$13,136,214</u>



CHUM Limited

and
Subsidiary
Companies

AUDITORS' REPORT

To the Shareholders of CHUM Limited:

We have examined the consolidated balance sheet of CHUM Limited and subsidiary companies as at August 31, 1971 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of a subsidiary company.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at August 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada PRICE WATERHOUSE & CO.
November 19, 1971 Chartered Accountants

Consolidated Statement of Earnings

	<i>Year ended August 31</i>	
	<u>1971</u>	<u>1970</u>
Revenue, less		
agency commissions . . .	\$10,431,540	\$8,405,870
Operating expenses . . .	<u>7,610,705</u>	<u>5,893,051</u>
	2,820,835	2,512,819
Add: Interest and		
investment income . . .	<u>130,863</u>	<u>143,622</u>
	2,951,698	2,656,441
Deduct:		
Interest, including \$15,719		
on long-term debt		
(1970—\$29,821) . . .	78,891	81,103
Depreciation (Note 5) . .	450,879	279,689
Amortization of franchise	72,613	72,613
Minority interests in		
earnings of subsidiary		
companies (net) . . .	<u>8,064</u>	<u>37,269</u>
	610,447	470,674
Earnings before		
income taxes . .	2,341,251	2,185,767
Provision for income taxes .	<u>1,258,893</u>	<u>1,241,000</u>
Net earnings		
for the year . .	<u>\$ 1,082,358</u>	<u>\$ 944,767</u>
Earnings per Class B and		
common share (Note 6)	<u>35¢</u>	<u>34¢</u>

Consolidated Statement of Retained Earnings

	<i>Year ended August 31</i>	
	<u>1971</u>	<u>1970</u>
Balance at beginning of year . . .	\$2,912,717	\$2,419,543
Net earnings for the year . . .	<u>1,082,358</u>	<u>944,767</u>
	3,995,075	3,364,310
Deduct:		
Dividends paid on Class B shares (24¢ per share)	473,496	402,696
Costs of financing and capital reorganization, net of income taxes of \$34,000	<u>—</u>	<u>48,897</u>
	473,496	451,593
Balance at end of year	<u>\$3,521,579</u>	<u>\$2,912,717</u>

Consolidated Statement of Source and Application of Funds

	<i>Year ended August 31</i>	
	<u>1971</u>	<u>1970</u>
Source of funds:		
Operations—		
Net earnings for the year	\$1,082,358	\$ 944,767
Depreciation and amortization	523,492	352,302
Minority interests in earnings of subsidiary companies (net)	<u>8,064</u>	<u>37,269</u>
Funds from operations	1,613,914	1,334,338
Issue of 1,000,000 Class B shares for cash	<u>—</u>	<u>5,640,000</u>
	1,613,914	6,974,338
Application of funds:		
Additions to fixed assets (net)	493,584	217,258
Repayment of long-term debt	127,979	144,178
Dividends paid	473,496	402,696
Costs of financing and capital reorganization, net of income taxes of \$34,000	<u>—</u>	<u>48,897</u>
Cash paid to acquire shares of Ralph Snelgrove Television Limited	570,000	—
Cost of investment in subsidiary companies, net of working capital acquired	1,103,563	3,629,457
Other	<u>17,250</u>	<u>2,826</u>
	2,785,872	4,445,312
Increase (decrease) in working capital	(1,171,958)	2,529,026
Working capital at beginning of year	<u>3,159,727</u>	<u>630,701</u>
Working capital at end of year	<u>\$1,987,769</u>	<u>\$3,159,727</u>

CHUM Limited

Notes to Consolidated Financial Statements

August 31, 1971

1. PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. During the year CHUM Limited acquired a 50.7% interest in CJCH Limited and Cape Breton Broadcasters Limited. The results of operations of these companies have been included in the consolidated financial statements from the respective dates of acquisition of control.

2. INVESTMENTS:

The investment in Peterborough Broadcasting Co. represents a 50% interest in a joint venture, Radio Station CKPT in Peterborough, and is stated at cost plus increase in equity since date of acquisition. The Company's share of the earnings of the joint venture is reflected in the consolidated statement of earnings.

3. LONG-TERM DEBT:

	<i>August 31</i>	
	<u>1971</u>	<u>1970</u>
Non-interest-bearing note payable to a director in four annual instalments of \$100,000 commencing in 1972	\$400,000	\$ —
7% mortgage payable in monthly instalments to March 1, 1985	123,558	128,687
Bank loan	—	172,500
	<u>523,558</u>	<u>301,187</u>
Less: Instalments due within one year	105,479	155,129
	<u>\$418,079</u>	<u>\$146,058</u>

4. CAPITAL STOCK:

During the year 60,000 non-voting Class B shares were issued at an assigned value of \$360,000 as partial consideration for the purchase of the remaining one-third of the issued shares of Ralph Snelgrove Television Limited.

5. DEPRECIATION:

Depreciation is provided in the accounts of the companies at the maximum amounts allowed for income tax purposes.

6. EARNINGS PER SHARE:

Earnings per share, as shown in the consolidated statement of earnings, have been calculated in accordance with the dividend priorities of each class of shares, irrespective of the extent to which dividends were actually declared. If the calculation had been made on the basis of dividends actually declared then earnings per share would have been as follows:

	<u>1971</u>	<u>1970*</u>
Class B—		
Dividends paid	24¢	24¢
Undistributed	<u>20</u>	<u>19</u>
	<u>44¢</u>	<u>43¢</u>
Common—		
Undistributed	<u>20¢</u>	<u>19¢</u>

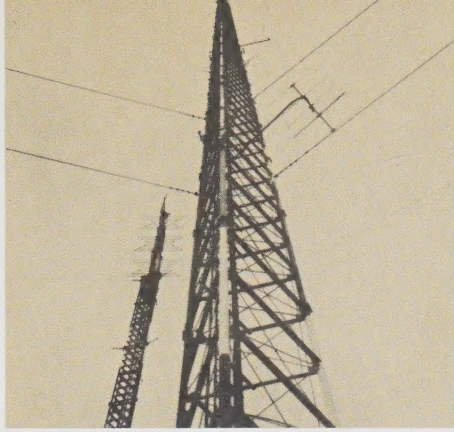
*Based on a weighted average number of shares outstanding during the year.

7. SUBSEQUENT EVENTS:

(a) On October 26, 1971, the Company's wholly-owned subsidiary, CFCE Limited, agreed with Canadian Marconi Company to purchase its broadcasting assets for an aggregate consideration of \$16,625,000, plus the value of current assets estimated at \$2,820,000, payable \$13,300,000 plus the value of current assets in cash, and the balance of \$3,325,000 by note.

The Company has arranged and will guarantee a bank loan for CFCE Limited to provide the purchase price for the broadcasting assets.

CHUM Limited and Canadian Marconi Company have agreed to subscribe for 80% and 20% respectively of the shares of CFCE Limited for an



NOTES (continued)

aggregate consideration of \$16,625,000 payable \$13,300,000 in cash by the Company and the balance by Canadian Marconi Company by surrender of its note.

The transaction is subject to approval of the Canadian Radio-Television Commission prior to April 30, 1972.

- (b) On November 19, 1971 the Company purchased a 60% interest in the partnership known as Martin Goldfarb Consultants for an aggregate consideration of \$400,000 plus the issuance of 95,000 fully paid and non-assessable Class B shares.

8. Remuneration of directors and senior officers for the year ended August 31, 1971 amounted to \$376,417 (1970—\$309,598).

